

# ARPA: Revenue Loss Calculation

July 2021

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## Revenue Loss

- *“Recipients may use payments from the Fiscal Recovery Funds for the provision of government services to the extent of the reduction in revenue experienced due to the COVID-19 public health emergency. Pursuant to sections 602(c)(1)(C) and 603(c)(1)(C) of the Act, a recipient’s reduction in revenue is measured relative to the revenue collected in the most recent full fiscal year prior to the emergency.”*
- Interim Final Rule of the Department of the Treasury



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## Replacement of Revenue Loss

- Use of the ARP-State and Local Fiscal Recovery Funds for government services may only be used to the extent of the revenue loss.
  - For example, if you determine revenue loss to be \$300,000 in one year, then government services provided based on that calculation would only be \$300,000.
  - The disbursements for government services would have to tie to the revenue loss calculation for each year.



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## General Revenues

- “The interim final rule defines the term “general revenue” to include revenues collected by a recipient and generated from its underlying economy and would capture a range of different types of tax revenues, as well as other types of revenue that are available to support government services.



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## Calculation of loss

- Compare the actual revenue to a counterfactual trend representing what could have been expected to occur in the absence of the pandemic.
- May use a growth adjustment of 4.1% per year or the recipient's average annual revenue growth over the three full fiscal years prior to COVID-19 public health emergency.
- Calculate at four points in time: December 31, 2020; December 31, 2021; December 31, 2022; and December 31, 2023



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## Calculation of loss -Steps

- Step 1: Identify general revenues collected in the most recent full fiscal year prior to the health emergency (2019)
- Step 2: Estimate counterfactual revenue which is equal to base year revenue\* $[(1+\text{growth adjustment})^{(n/12)}]$
- Step 3: Identify actual general revenue collected over the past 12 months (January to December) as of the measurement date
- Step 4: The extent of the reduction in revenue is equal to the counterfactual revenue less actual revenue.



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## Example of calculation

- In step one we determine 2019 general revenue to be \$1,000,000
- In step two we use the 4.1% growth adjustment to determine the counterfactual revenue for 2020 at \$1,041,000.
- In Step three we determine the actual general revenue in 2020 we received was \$950,000.
- In step 4 we subtract the actual general revenue of \$950,000 from the counterfactual income of \$1,041,000 to determine our revenue loss of \$91,000.



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## General Revenues

- Own Source
  - Taxes
  - Charges for service
  - License and Permits
  - Fines and Forfeitures
  - Other
- Intergovernmental
  - State Distributions and Grants
  - Local Funding from other Local units



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## General Revenue – Excluded Sources

- Own Source
  - Refunds/Reimbursements
  - Transfers between funds
  - Interfund Loans
  - Proceeds from Debt
  - Sale of Investments
  - Receipts to settlement and remittance funds
  - Receipts to payroll clearing funds and Self Insurance funds
  - Utility collections (electric, gas, mass transit, water supply)
- Intergovernmental
  - Federal grants



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## Source of Revenue Numbers

- All reports require analysis – exclude revenues that are not general
- Determine total general revenues for 2019 and 2020
- Use
  - Financial software reports
    - Chart of general revenues and excluded revenues
  - Annual Financial Report – Detail of Receipts
    - Receipt codes for AFR – marked Y
    - Funds ledger- receipts – for Other receipts to determine source of revenue



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## Excluded Receipts and Funds

- Federal Grants – Direct or passed through State or local units
- Other Receipts need to be analyzed so that excluded receipts can be determined- such as refunds/reimbursements, interfund activity, loan proceeds and sale of investments
- Some funds need to be excluded from consideration:
  - Agency funds-Payroll Clearing Funds, Settlement Funds, Remittance Funds
  - Self Insurance Funds
  - Private Trust Funds
  - All Federal Grant funds



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## Calculation of General Revenues

General Procedures and Counties



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## Counties Example

- 2019 Total General Revenues 56,208,319
- Growth Adj. 4.1 % 1.041
- Counterfactual Revenue 58,512,860
- 2020 Total General Revenues 57,062,318
  
- Total loss for 2020 1,450,542
  - Counterfactual Revenue less Actual 2020 General Revenue



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## Calculation of General Revenues

City and Town Considerations



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# Indiana Utilities

SEWER OPERATING FUND	Sewage Fees	\$5,819,366.59
	Unmetered Sales and Services	\$1,604,373.82
<b>Total Charges for Services</b>		<b>\$7,423,740.41</b>
	Earnings on Investments and Deposits	\$24,109.95
	Refunds and Reimbursements	\$26,199.27
	Other Receipts/606.989 - 2 YEAR OLD VOIDED CHECKS	\$87.27
<b>Total Other Receipts</b>		<b>\$50,396.49</b>
<b>Total SEWER OPERATING FUND</b>		<b>\$7,474,136.90</b>
WWTP SAVINGS	Earnings on Investments and Deposits	\$243.54
<b>Total Other Receipts</b>		<b>\$243.54</b>
<b>Total WWTP SAVINGS</b>		<b>\$243.54</b>
SRF LOAN- BOND & INT (9568)	Earnings on Investments and Deposits	\$1,633.16
	Other Receipts/950.510 - BOND RECEIPTS	\$1,448,726.00
<b>Total Other Receipts</b>		<b>\$1,450,359.16</b>
<b>Total SRF LOAN- BOND &amp; INT (9568)</b>		<b>\$1,450,359.16</b>

May include revenue from sewage fees and solid waste fees.



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# Indiana Utilities

WATER OPERATING FUND	Rental of Property	\$1.00
	Metered or Measured Sales and Services	\$2,976,782.93
	Unmetered Sales and Services	\$1,189,288.09
<b>Total Charges for Services</b>		<b>\$4,166,072.02</b>



Must exclude revenue from water, electric, gas, and public transportation



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# Cemetery Fund

CEMETERY	General Property Taxes	\$8,052.74
	Financial Institution Tax distribution	\$266.35
<b>Total Taxes and Intergovernmental</b>		<b>\$8,319.09</b>
	Other Licenses and Permits/206122.000 - CEMET/AUTO AND AIRCRAFT EXCIS	\$736.82
<b>Total Licenses and Permits</b>		<b>\$736.82</b>
	Cemetery Receipts	\$12,906.99
<b>Total Charges for Services</b>		<b>\$12,906.99</b>
	Sale of Capital Assets	\$9,944.78
	Other Receipts/206609.000 - CEMETERY/ INTEREST	\$8.01
<b>Total Other Receipts</b>		<b>\$9,952.79</b>
<b>Total CEMETERY</b>		<b>\$31,915.69</b>



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# Aviation Fund

AVIATION	Rental of Property	\$10,420.00
	Airport Receipts	\$17,227.90
<b>Total Charges for Services</b>		<b>\$27,647.90</b>
<b>Total AVIATION</b>		<b>\$27,647.90</b>
AIRPORT GRANT-FEDERAL	Federal and State Grants and Distributions - Other/207340.000 - AIRPORT GRANT-FEDERAL	\$273,037.80
<b>Total Taxes and Intergovernmental</b>		<b>\$273,037.80</b>
<b>Total AIRPORT GRANT-FEDERAL</b>		<b>\$273,037.80</b>
AIRPORT GRANT-STATE	Federal and State Grants and Distributions - Other/208340.000 - AIRPORT GRANT-STATE	\$11,758.12
<b>Total Taxes and Intergovernmental</b>		<b>\$11,758.12</b>
<b>Total AIRPORT GRANT-STATE</b>		<b>\$11,758.12</b>



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# Parks

PARK NON-REVERTING OPERATING	Planning, Zoning, and Building Permits and Fees	\$14,000.00
<b>Total Licenses and Permits</b>		<b>\$14,000.00</b>
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	Park and Recreation Receipts	\$278,792.86
	Rental of Property	\$34,074.69
<b>Total Charges for Services</b>		<b>\$312,867.55</b>
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	Earnings on Investments and Deposits	\$1,331.30
	Refunds and Reimbursements	\$311.50
	Donations, Gifts, and Bequests	\$4,516.00
	Other Receipts/211.600 - MISC REVENUE	\$1,000.00
	Other Receipts/211.989 - 2-YR OLD VOIDED CHECKS	\$63.76
<b>Total Other Receipts</b>		<b>\$7,222.56</b>
<b>Total PARK NON-REVERTING OPERATING</b>		<b>\$334,090.11</b>



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# Police and Fire Pensions

FIRE PENSION	Other Receipts/801496.000 - FIRE PENSION RELIEF FUND	\$95,237.24
<b>Total Other Receipts</b>		<b>\$95,237.24</b>
<b>Total FIRE PENSION</b>		<b>\$95,237.24</b>
-----		-----
POLICE PENSION	Other Receipts/802496.000 - POLICE PENSION RELIEF FUND	\$272,176.43
<b>Total Other Receipts</b>		<b>\$272,176.43</b>
<b>Total POLICE PENSION</b>		<b>\$272,176.43</b>



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# TIF

TIF	General Property Taxes	\$2,522,983.45
<b>Total Taxes and Intergovernmental</b>		<b>\$2,522,983.45</b>
	Sale of Investments	\$970.53
	Earnings on Investments and Deposits	\$6,438.35
<b>Total Other Receipts</b>		<b>\$7,408.88</b>
<b>Total TIF</b>		<b>\$2,530,392.33</b>
2020 AD VALOREM BOND DEBT	General Property Taxes	\$714,764.72
	Vehicle/Aircraft Excise Tax Distribution	\$41,678.17
	Commercial Vehicle Excise Tax Distribution (CVET)	\$724.09
<b>Total Taxes and Intergovernmental</b>		<b>\$757,166.98</b>
<b>Total 2020 AD VALOREM BOND DEBT</b>		<b>\$757,166.98</b>



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# Federal Grants - Exclude

→	CARES - IFA GRANT FUND	Federal and State Grants and Distributions - Health and Welfare	\$856,418.00	
	<b>Total Taxes and Intergovernmental</b>		<b>\$856,418.00</b>	
	<b>Total CARES - IFA GRANT FUND</b>		<b>\$856,418.00</b>	
→	CARES PROVIDER RELIEF	Federal and State Grants and Distributions - Health and Welfare	\$17,022.66	
	<b>Total Taxes and Intergovernmental</b>		<b>\$17,022.66</b>	
	<b>Total CARES PROVIDER RELIEF</b>		<b>\$17,022.66</b>	



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## Payroll Funds

	SELF INSURANCE FUND	Earnings on Investments and Deposits	\$3,993.89
		Refunds and Reimbursements	\$694,398.57
		Benefit Plan Contributions	\$4,866,431.56
		<b>Total Other Receipts</b>	<b>\$5,564,824.02</b>
	<b>Total SELF INSURANCE FUND</b>		<b>\$5,564,824.02</b>
	PAYROLL FUND	Payroll Fund and Clearing Account Receipts	\$3,161,590.99
		<b>Total Other Receipts</b>	<b>\$3,161,590.99</b>
		<b>Total PAYROLL FUND</b>	<b>\$3,161,590.99</b>

Exclude payroll funds and payroll withholding funds



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## Revenue Calculator

- Summary sheet contains the formula for calculating the revenue loss in excel.
- Calculation on an entity wide basis
- Determine total General Revenues for 2019 – Base year
- Determine total General Revenues for 2020 – Actual Revenue
  - Same determination for 2021 and 2022 – Actual Revenue
- Use the calculator or the formula within the calculator to determine revenue loss



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## Growth Adjustment

- The Interim Final Rule provides for a growth adjustment of 4.1%.
- Option to calculate the growth of revenue over 2017, 2018 and 2019 to see if it is greater than 4.1% - could use the higher growth adjustment.
- The formula takes the base revenue times the growth adjustment adjusted for the year (number of months since the base year).
- You can use the formula in excel to make your own calculations. For 2020 and calendar year end of 12/31- it is just the base revenue times 1.041 (if you use 4.1%) less your actual 2020 general revenues



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## Calculate Growth Adjustment

- Determine General Revenues for each year, 2017, 2018 and 2019.
- Determine the rate of growth between the years
- Determine the average of that rate over the three years
- Example:
  - Year 1: 100,000
  - Year 2: 105,000                      Increase in year 2 over year 1 is 5%
  - Year 3: 108,000                      Increase in year 3 over year 2 is 2.8%
  - Average is 3.9%



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## Uses of ARP Funds for Revenue Loss

- Direct Provision of Government Services, includes but not limited to:
  - Maintenance and Pay-Go funded building of infrastructure (roads)
  - Cybersecurity
  - Health Services
  - Environmental Remediation
  - School or educational services
  - Police, fire and public safety
- Excluded
  - Paying principal or interest on debt
  - Paying judgements
  - Rainy Day funds



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## Audit Expectations

- Document and maintain the documentation of how the revenue loss was calculated and how your growth adjustment was calculated if you didn't use the 4.1%
- Disburse all claims from the grant fund including any government services paid from ARPA-State Local Fiscal Recovery funds to the extent of revenue loss – **do not** transfer the ARPA funds to another fund.
- Maintain all documentation for disbursements paid from the grant fund, including claims for government services paid to the extent of the revenue loss.



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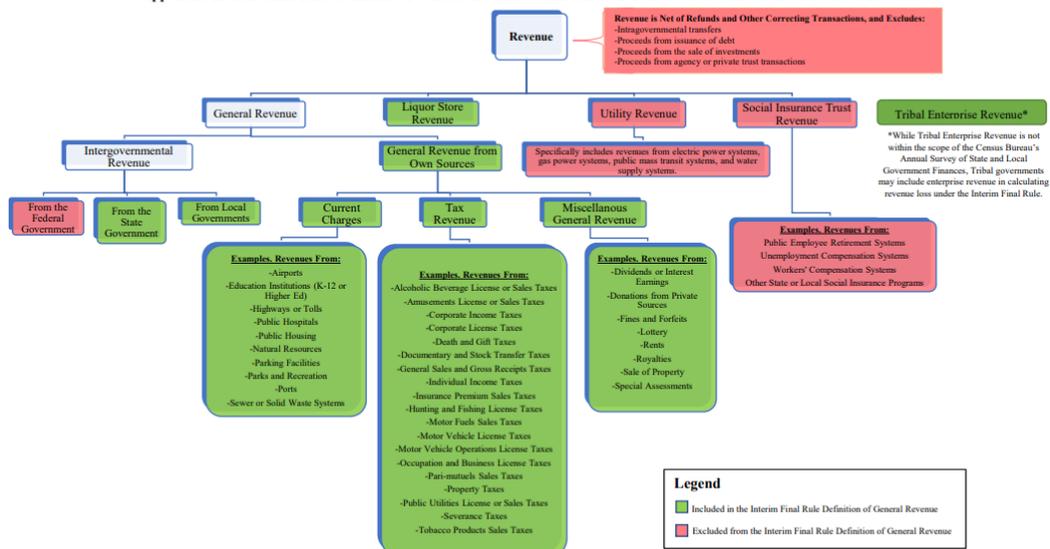
# Additional Resources



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AS OF JUNE 24, 2021

## Appendix: Interim Final Rule Definition of General Revenue Within the Census Bureau Classification Structure of Revenue

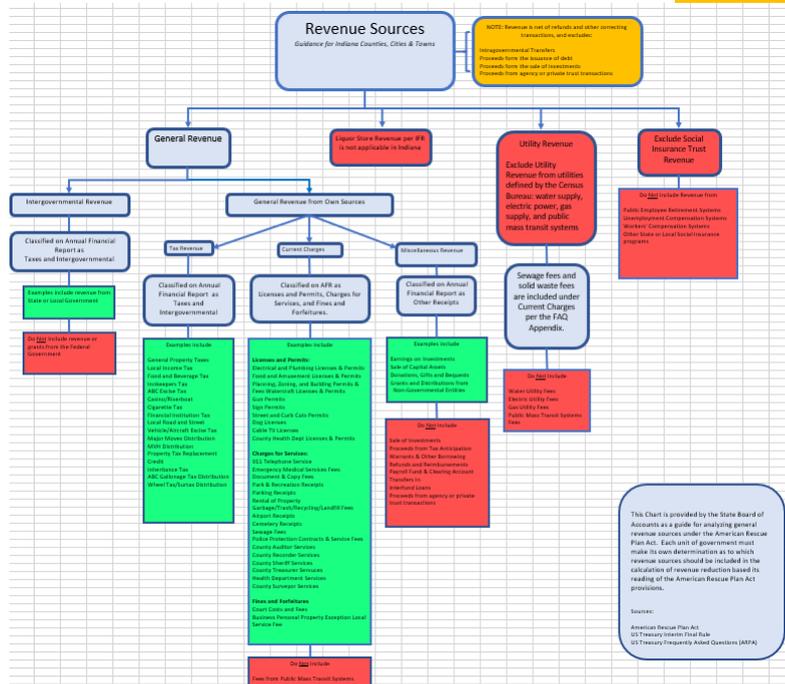


Source: U.S. Bureau of the Census Government Finance and Employment Classification Manual, 2006; Annual Survey of State and Local Government Finances



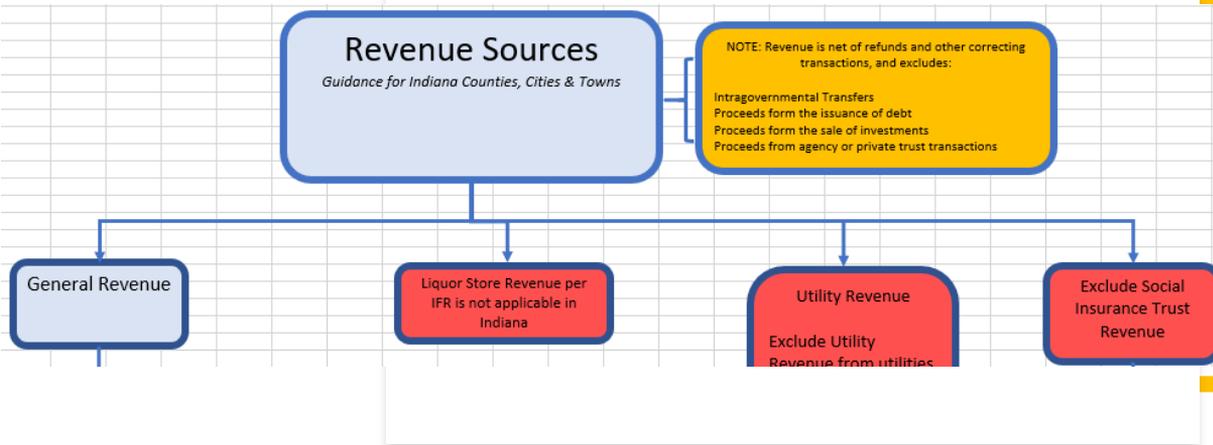
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# Revenue Sources



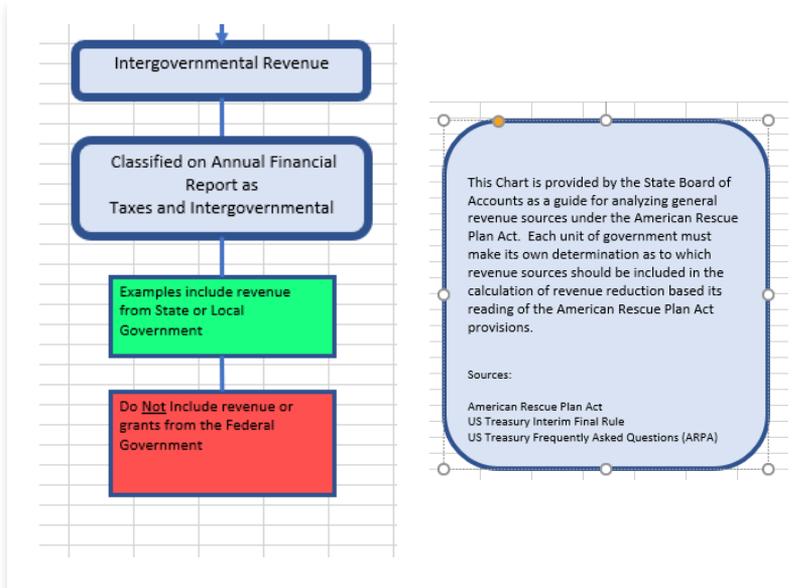
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# Revenue Sources



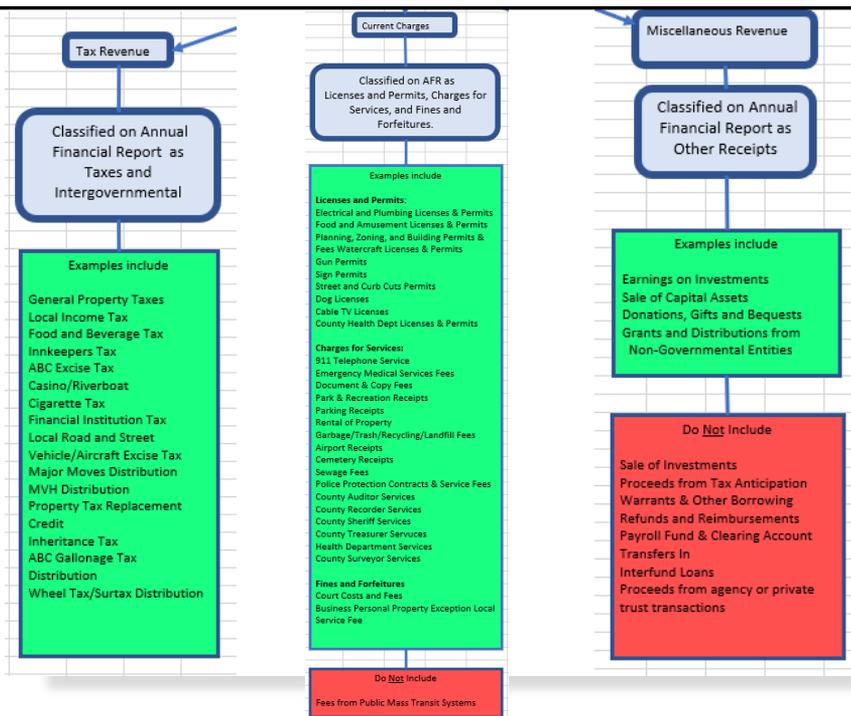
32

# Inter-governmental Revenue



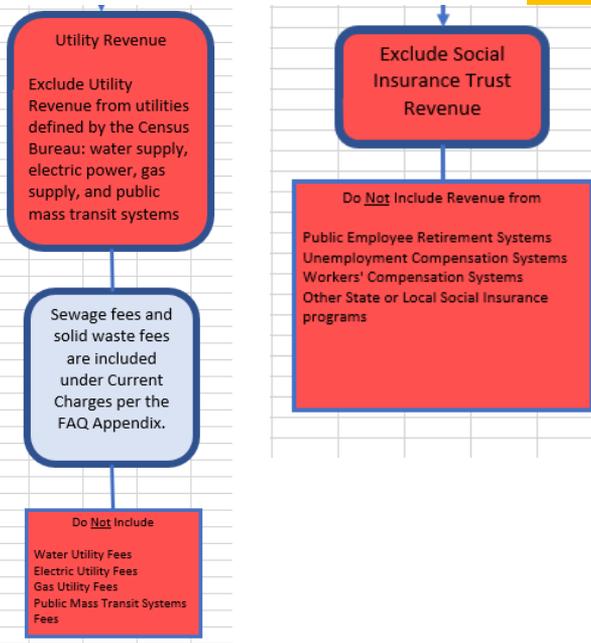
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# Revenue from Own Sources



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# Revenue from Utilities and Social Insurance Trust



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# AFR Receipt Code Classifications



**Annual Financial Report Receipt Code and Classifications**  
*Guidance for Analysis of General Revenue Sources per the American Rescue Plan and US Treasury Guidance*  
 State Board of Accounts, July 7, 2021

Receipt Code	High Level Classification	Detail Classification	
R101	Taxes and Intergovernmental	General Property Taxes	
R102	Taxes and Intergovernmental	County Adjusted Gross Income Tax (CAGIT) Certified Shares	
R103	Taxes and Intergovernmental	County Economic Development Income Tax (CEDIT)	
R104	Taxes and Intergovernmental	County Option Income Tax (COIT)	
R105	Taxes and Intergovernmental	Local Income Tax (LIT) for Levy Freeze	
R106	Taxes and Intergovernmental	Food and Beverage Tax	
R107	Taxes and Intergovernmental	Inkshops Tax	
R108	Taxes and Intergovernmental	Other Taxes	A
R109	Taxes and Intergovernmental	ABC Excise Tax Distribution	
R110	Taxes and Intergovernmental	Casino/Riverboat Distribution	
R111	Taxes and Intergovernmental	Cigarette Tax Distribution	
R112	Taxes and Intergovernmental	Financial Institution Tax Distribution	
R113	Taxes and Intergovernmental	Local Road and Street Distribution	
R114	Taxes and Intergovernmental	Vehicle/Aircraft Excise Tax Distribution	
R115	Taxes and Intergovernmental	Major Moves Distribution	
R116	Taxes and Intergovernmental	Motor Vehicle Highway Distribution	
R119	Taxes and Intergovernmental	State, Federal, and Local Payments in Lieu of Taxes	
R121	Taxes and Intergovernmental	County Funds for Soil/Water Operations	
R122	Taxes and Intergovernmental	State Funds for Soil/Water Operations	
R123	Taxes and Intergovernmental	County Adjusted Gross Income Tax (CAGIT) Property Tax Replacement Credit	
R124	Taxes and Intergovernmental	Local Option Income Tax (LOIT) for Public Safety	
R125	Taxes and Intergovernmental	County Adjusted Gross Income Tax (CAGIT) Additional Distributions	
R246	Taxes and Intergovernmental	County Option Income Tax (COIT) Additional Distributions	
R127	Taxes and Intergovernmental	County Economic Development Income Tax (CEDIT) Additional Distributions	
R128	Taxes and Intergovernmental	Inheritance Tax	
R129	Taxes and Intergovernmental	Federal and State Grants and Distributions - Highways and Streets	A
R130	Taxes and Intergovernmental	Federal and State Grants and Distributions - Culture and Recreation	A
R131	Taxes and Intergovernmental	Federal and State Grants and Distributions - Economic Development	A
R132	Taxes and Intergovernmental	Federal and State Grants and Distributions - Health and Welfare	A
R133	Taxes and Intergovernmental	Federal and State Grants and Distributions - Public Safety	A
R134	Taxes and Intergovernmental	Federal and State Grants and Distributions - Other	A
R135	Taxes and Intergovernmental	Commercial Vehicle Excise Tax Distribution (CVET)	
R136	Taxes and Intergovernmental	ABC Gallonage Tax Distribution	
R137	Taxes and Intergovernmental	Wheel Tax/Surtax Distribution	
R138	Taxes and Intergovernmental	Local Income Tax (LIT) Certified Shares	
R139	Taxes and Intergovernmental	Local Income Tax (LIT) for Public Safety	
R140	Taxes and Intergovernmental	Local Income Tax (LIT) for Economic Development	
R141	Taxes and Intergovernmental	Local Income Tax (LIT) for Special Purposes	
R142	Taxes and Intergovernmental	Local Income Tax (LIT) Supplemental Distribution	

Exclude all Federal grants and Distributions

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# AFR Receipt Code Classifications



R201	Licenses and Permits	Electrical and Plumbing Licenses and Permits	Y	
R202	Licenses and Permits	Food and Amusement Licenses and Permits	Y	
R203	Licenses and Permits	Planning, Zoning, and Building Permits and Fees	Y	
R204	Licenses and Permits	Watercraft Licenses and Permits	Y	
R205	Licenses and Permits	Gun Permits	Y	
R206	Licenses and Permits	Sign Permits	Y	
R207	Licenses and Permits	Street and Curb Cuts Permits	Y	
R208	Licenses and Permits	Dog Licenses	Y	
R209	Licenses and Permits	Other Licenses and Permits	A	
R210	Licenses and Permits	Cable TV Licenses	Y	
R211	Licenses and Permits	County Health Department Licenses and Permits	Y	
R401	Charges for Services	County Auditor Services	Y	
R402	Charges for Services	County Recorder Services	Y	
R403	Charges for Services	County Sheriff Services	Y	
R404	Charges for Services	County Treasurer Services	Y	
R405	Charges for Services	Health Department Services	Y	
R406	Charges for Services	Street Maintenance and Other Transportation Fees	A	Exclude public mass transportation fees
R407	Charges for Services	911 Telephone Service	Y	
R408	Charges for Services	Emergency Medical Services Fees	Y	
R409	Charges for Services	Document and Copy Fees	Y	
R410	Charges for Services	Fire Protection Contracts and Service Fees	Y	
R411	Charges for Services	Park and Recreation Receipts	Y	
R412	Charges for Services	Parking Receipts	Y	
R413	Charges for Services	Rental of Property	Y	
R414	Charges for Services	Federal, State, and Local Reimbursement for Services	N	
R416	Charges for Services	Garbage/Trash/Recycling/Landfill Fees and Charges	Y	
R417	Charges for Services	Airport Receipts	Y	
R418	Charges for Services	Cemetery Receipts	Y	
R419	Charges for Services	Storm Water Fees	A	
R420	Charges for Services	Sewage Fees	Y	
R421	Charges for Services	Metered or Measured Sales and Services	A	Exclude gas, water, electric utility fees and public mass transportation fees
R422	Charges for Services	Unmetered Sales and Services	A	
R423	Charges for Services	Other Charges for Services, Sales, and Fees	A	
R424	Charges for Services	County Surveyor Services	Y	
R425	Charges for Services	Police Protection Contracts and Service Fees	Y	

# AFR Receipt Code Classifications



R502	Fines, Forfeitures, and Fees	Court Costs and Fees	Y	
R503	Fines, Forfeitures, and Fees	Other Fines and Forfeitures	A	
R505	Fines, Forfeitures, and Fees	Other Court and Clerk Receipts	A	
R506	Fines, Forfeitures, and Fees	Business Personal Property Exemption Local Service Fee	Y	
R801	Utility Penalties	Utility Penalties	A	Include sewage and solid waste penalties only. Other utilities are not considered part of general revenue
R901	Other Receipts	Sale of Investments	N	
R902	Other Receipts	Earnings on Investments and Deposits	Y	
R903	Other Receipts	Proceeds from Tax Anticipation Warrants	N	
R904	Other Receipts	Proceeds from Borrowing other than Tax Anticipation Warrants	N	
R905	Other Receipts	Sale of Capital Assets	Y	
R906	Other Receipts	Refunds and Reimbursements	N	Exclude sale of investments, proceeds from tax anticipation warrants or other borrowing, refunds and reimbursements, payroll and clearing account transactions, transfers in from another fund, interfund loans, proceeds with agency or private trust
R907	Other Receipts	Benefit Plan Contributions	N	
R908	Other Receipts	Donations, Gifts, and Bequests	Y	
R909	Other Receipts	Payroll Fund and Clearing Account Receipts	N	
R910	Other Receipts	Transfers In - Transferred from Another Fund	N	
R911	Other Receipts	Interfund Loans - Borrowed from Another Fund	N	
R912	Other Receipts	Interfund Loans - Repayment from Another Fund	N	
R913	Other Receipts	Other Receipts	A	
R914	Other Receipts	Grants and Distributions from Non-Governmental Entities	Y	

## AFR Receipt Code Classifications

This Chart is provided by the State Board of Accounts as a guide for analyzing general revenue sources under the American Rescue Plan Act. Each unit of government must make its own determination as to which revenue sources should be included in the calculation of revenue reduction based its reading of the American Rescue Plan Act provisions.

Sources:

American Rescue Plan Act  
US Treasury Interim Final Rule  
US Treasury Frequently Asked Questions (ARPA)

Y - if classified correctly, this category will be included in the revenue calculation per US Treasury Guidance

N - If classified correctly, this category will NOT be included in the revenue calculation per US Treasury Guidance

A - Analyze transactions in this category to determine if transactions should be included or excluded per US Treasury



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## Summary

Calculate Revenue Reduction based on information in the ARPA, Interim Final Rule, and US Treasury FAQs.

- Revenue from General Sources
- Growth Quotient
- Interim Final Rule Formula

Document and maintain the documentation of how the revenue loss was calculated.

Disburse all claims from the grant fund– **do not** transfer the ARPA funds to another fund.

Maintain all documentation for disbursements paid from the grant fund.



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## Contact Information



## Indiana State Board of Accounts

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